

## Message Text

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ACTION NEA-10

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TO SECSTATE WASHDC 9934

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C O N F I D E N T I A L TEHRAN 11243

E.O. 11652: GDS

TAGS/ ETRD PFOR NK KS IR

SUBJ: IRANIAN-SOUTH KOREAN ECONOMIC RELATIONS

REF: (A) 75 TEHRAN 6772, (B) 75 TEHRAN 10007, (C) TEHRAN 10092

1. SUMMARY: THE SECOND SESSION OF THE JOINT IRANO-SOUTH KORAN MINISTERIAL COMMISSION, CONCLUDED NOVEMBER 3, WAS SUCCESSFUL ACCORDING TO ROK EMBASSY COUNSELOR SUN. THE ROK DEL, LED BY DEPUTY PRIMIN AND MIN FOR ECONOMIC PLANNING DUCK WOO NAM (WITH A 15-MEMBER DEL) MET WITH HIS COUNTER-PART MIN OF ECONOMIC AFFAIRS AND FINANCE HUSHANG ANSARY AND A NUMBER OF GOI MINISTERS ON A BROAD RANGE OF ECONOMIC COOPERATION MATTERS. AN AUDIENCE WITH THE SHAH AND LUNCHEON HOSTED BY PRIMIN HOVEYDA PROVIDED OPPORTUNITIES FOR DISCUSSION OF BROADER POLITICAL/ECONOMIC ISSUES WHICH SOURCE SAID RESULTED IN A RENEWAL AND BUILDING OF ALREADY GOOD KOREAN/IRANIAN FRIENDSHIP AS WELL AS ASSURING THAT IRAN WILL NOT PROVIDE CREDITS TO NORTH KOREA. PUBLICITY OF THE VISIT CENTERED ON THE INAUGURATION CEREMONY OF THREE KOREAN-BUILT JETTIES AT KHORRAMSHAHR AND THE SIGNING OF AN AGREEMENT TO SUPPLY CRUDE OIL TO KOREA AND THE

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JOINT COMMUNIQUE, WHICH THE PRESS CALLED AN ECONOMIC COOPERA-

TION PROTOCOL. END SUMMARY.

2. THIS SECOND SESSION OF THE JOINT IRAN-SOUTH KOREA MINISTERIAL COMMISSION PRODUCED MORE REALISTIC GOALS THAN THE FIRST SESSION HELD IN SEOUL IN NOVEMBER 1975, ACCORDING TO SOUTH KOREAN EMB COUNSELOR JOUN-YNG SUN. PRESS COVERAGE OF MINISTER ANSARY'S 1975 TRIP TO SEOUL FORECAST A BUILDUP TO 25,000 SOUTH KOREAN WORKERS IN IRAN AND MANY SPECIFIC TRADE MOVEMENTS AND INVESTMENTS, MOST OF WHICH HAVE YET TO MATERIALIZE. THE FEBRUARY 1976 VISIT BY FONMIN TON-JUN PARK ADVANCED ECONOMIC COOPERATION AS IT FOCUSED ON ECONOMIC ISSUES AND THE REGULARIZATION OF BILATERAL TRADE. THE NOVEMBER 3 COMMUNIQUE INCLUDED A BILATERAL ANNUAL TRADE TARGET BY 1980 OF \$2 BILLION, EXCLUDING OIL, A TARGET MR SUN TERMED "QUITE REALISTIC". SPECIFIC SUCCESS IN COOPERATION IN THE AREAS OF PORT CONSTRUCTION AND SKILLED MANPOWER TRAINING WAS NOTED. THE NUMBER OF SKILLED SOUTH KOREAN PERSONNEL INCREASED TO 6,000 FROM 200 A YEAR AGO.

(COMMENT: SUN SAYS THIS FIGURE, BASED ON GOI LABOR MINISTRY COUNT OF WORK PERMITS, IS CONSIDERED HIGH AND MAY REPRESENT CUMULATIVE ISSUANCE.) ALTHOUGH THE SIZE OF THE LABOR FORCE IS PRESENTLY STATIC, THERE IS A POSSIBILITY OF RAPID INCREASE, FOR EXAMPLE IN THE MINING SECTOR. NEGOTIATIONS OVER TERMS CONTINUE ON KOREAN EXPORT TO IRAN OF 300 TONS OF CONCRETE AND OVER 100 TONS OF FERTILIZER IN 1977. THE COMMUNIQUE SAID IRANO-KOREAN JOINT COOPERATION IN FISHING WILL ALSO INCREASE, WITH THE NUMBER OF FISHING VESSELS OPERATING IN SOUTHERN WATERS GOING FROM NINE TO TWENTY. NEGOTIATIONS ARE WELL ALONG FOR A JOINT VENTURE IN TEXTILE FOR ANNUAL PRODUCTION IN IRAN OF 100 MILLION YARDS.

3. DURING THE VISIT, THE NATIONAL IRANIAN OIL COMPANY AND THE IRANO-KOREAN PETROLEUM COMPANY SIGNED AN AGREEMENT BY WHICH IRAN WILL SELL SOUTH KOREA 60,000 BARRELS OF CRUDE OIL DAILY. COMMENT: THIS IS THE COROLLARY TO THE JOINT VENTURE AGREEMENT FOR THE REFINERY REPORTED IN REF B. WHEREAS THE INITIAL TARGET WAS FOR REFINERY START-UP LATE 1977, THE TIME TABLE REPORTEDLY HAS SLIPPED TO THE POINT WHERE THIS CRUDE DELIVERY WOULD NOT BEGIN UNTIL ABOUT MID-1978. ALTHOUGH TERMS OF THE AGREEMENT ARE NOT KNOWN, IT CAN BE ASSUMED THAT NIOC'S PRICE WILL BE DISCOUNTED AT LEAST TO THE PRICE PAID IT BY OSCO (THE WESTERN MARKETING CONSORTIUM), WHICH IS PRESENTLY US 22 CENTS BELOW POSTED PRICE.

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4. DUCK WOO NAM'S VISIT WAS ALSO HIGHLIGHTED BY THE OFFICIAL DELIVERY OF THREE LARGE JETTIES AT THE PERSIAN GULF PORT OF KHORRAMSHAHR, WHICH COST OVER \$40 MILLION AND WERE BUILT BY THE KOREAN FIRM SHINWON. CONSTRUCTION OF THE 910 METER-LONG JETTIES WAS BEGUN LAST NOVEMBER AND INVOLVED OVER 400 KOREAN ENGINEERS AND SKILLED WORKERS. ACHIEVING UNUSUAL DISTINCTION IN IRAN'S INFRASTRUCTURE DEVELOPMENTS, THE PROJECT WAS HAILED FOR NOT ONLY

HAVING MET SPECIFICATIONS, BUT FOR HAVING BEEN COMPLETED ON SCHEDULE. SPEECHES AT THE PORT CEREMONY MENTIONED AGAIN THE MUTUAL DESIRE TO ESTABLISH A JOINT SHIPPING COMPANY, BUT NO DETAILS WERE PROVIDED.

5. COUNSELOR SUN SAID THAT IN THE COURSE OF DISCUSSIONS WITH THE SHAH AND HOVEYDA, PRIMIN NAM RAISED THE ISSUE OF IRANO-NORTH KORAN RELATIONS AND WAS ASSURED THAT THE GOI-DPRK PROTOCOL OF MARCH 1975 NEVER RESULTED IN AN ACTUAL CREDIT AGREEMENT, A DEVELOPMENT MINISTRY OF ECONOMIC AFFAIRS AND FINANCE OFFICIALS MAINTAINED TO EMBOFF HAD OCCURRED (REF C). SUN SAID THE GOI ASSURED THE ROK THAT CHANGED OF A GOI CREDIT ARRANGEMENT WITH THE DPRK ARE NIL, BUT THEY EXPLAINED THAT IRAN WOULD MAINTAIN CORDIAL RELATIONS IN KEEPING WITH ITS BASIC FOREIGN POLICY TOWARD COMMUNIST COUNTRIES. COMMENT: WHETHER OR NOT AN ACTUAL CRDIT AGREEMENT WITH THE DPRK WAS SIGNED AND NOT IMPLEMENTED IS NOT SO IMPORTANT AS THE HIGH-LEVEL ASSURANCE OF THE GOI INTENT NOT TO PROVIDE CREDITS.

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